Accounting for Bad Debt and Uncollectible Receivables in the Higher Education: Evidence from UAE

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ABSTRACT

This study aims to explain the accounting for bad debt and uncollectible receivable in higher education in the UAE. It examines the methods used in accounting for calculating bad debts in a financial setting and comparing it with the debt collection methods in an academic environment in the UAE, especially in Abu Dhabi University. It also focuses on exploring the reasons behind defaulting payments in an academic setting, and finally recommending a sample policy for debt collection, an academic environment has been demonstrated. The statistical analysis used in this study shows that there is a significant difference between the two factors: account receivable and bad debt, meaning there is a significant difference between the total account receivable and the estimated bad debt. Usually, the bad debt represents a relatively small percentage of the account receivable. This small percent does not have a material influence on the balance sheet accounts and income statement. All of these refer to management decision and human judgment, and there are no standard rules to decide about the percentage of bad debt. However, this study is considered as one of the first attempts about accounting for bad debt and uncollectible receivable in higher education in UAE.

Keywords: Bad Debt, Uncollectible Receivables, Financial Accounting, Higher Education.

JEL Classification: M41, I23
INTRODUCTION
It is a common practice for the residents of the United Arab Emirates to receive threatening calls from collection agencies if one has failed to make a payment of the never-ending loan installment or the worst-case scenario, when the credit card has gone over the limit, and no payment was made to make the bank statements look rational. The collection agent will not only be pressurizing the defaulter to make prompt payments but will also force the defaulter to pay penalties, because there was a lapse in making prompt payments. This conundrum is very common in the thriving environment of the United Arab Emirates. Banks and financial institutions refer to these loans as non-performing loans (NPLs). NPL is a sum of borrowed money upon which the debtor has not made his or her scheduled payments for at least 90 days, such loan is either in default or close to being in default. Once a loan is nonperforming, the odds that it will be repaid in full are considered to be substantially lower. If the debtor starts making payments again on a nonperforming loan, it becomes a re-performing loan, even if the debtor has not caught up on all the missed payments (Alsharari 2017; Alsharari 2018a,b).

According to a recent report from PR2Live (2014), non-performing loans persisting in the UAE could be twofold in the coming years attributing to a surge in credit demand and financial institutions cannot agree on debt collection tactics. On a brighter side, the standing of UAE is still better than many other countries. This better standing will negatively affect the financial standings of the organizations if proper policies are not in place for the collection procedures. The surge in credit demand is going to increase as more and more people are keen on investing in the real estate sector of the country and prefer taking long term mortgages to finance their dream houses. Moody’s credit rating service believes that the country’s thriving real estate sector and improved bank performances can reduce the levels of NPL and increase profits. For instance, UAE based Abu Dhabi Commercial Bank’s (ADCB) impairment allowances dropped from Dh529 million (2012) to Dh308 million (2013), whereas National Bank of Abu Dhabi’s bad debts made up 3.32 percent of its loan structure. Such a dire situation warrants the presence of a regulatory body to take strict actions against the defaulters (PR2Live, 2014). According to the latest report from the country’s Central Bank, UAE’s overall receivables was stated as AED 28.2 billion in 2012, which then increased to AED 35.3 billion in 2013, again
indicating the surge in demand for credit and the corresponding impact on increase in bad debts (UAE Ministry of Economy, 2013).

Figure 1 - Finance and Capital Balance (2011 - 2012)

Intensive research using different online and offline resources led to the conclusion that a number of resources were available when it comes to collecting bad debts in banking or financial environment, but collecting bad debts in higher educational institutions was very limited, in the context of United Arab Emirates. The main objectives of this study are:

- To examine the reasons behind defaulting payments in an academic setting.
- To explain the method of collecting bad debts in a financial setting and comparing it with the method of collection in an academic environment; Abu Dhabi University.
- To explain the methods used in Accounting for calculating bad debts.

LITERATURE REVIEW

Accounting and budgeting changes in public financial management including higher education over the last decade were central to the rise of these principles and the associated ideas of account receivables, of which bad debt is an essential element (Alsharari, 2013; Alsharari et al., 2015; Alsharari, 2016a,b; Alsharari, 2017; Alsharari & Abougamos, 2017; Alsharari & Youssef, 2017; Alsharari, 2018a,b; 2019; Alsharari et al., 2018; Alshboul & Alsharari, 2018; Alsharari & Alshboul, 2019). Accounting
history is evident that only a few nations have gone through record revolutionary transformations stimulated by idealistic leaders who were persistent in utilizing the oil revenues for the betterment of their nation. From UAE’s inception to date, education has been the priority for its exemplary leaders. Even the UAE Vision 2021 has a “developing educational sector” as its key performance indicator. This key performance can reinforce by the unparalleled initiatives of the Father of United Arab Emirate’s nation; His Highness Sheikh Zayed Bin Sultan Al Nehayan (Late), who had a vivid vision of developing his nation by investing in them. He was of the view that,

"Wealth is not money. Wealth lies in men. This is where true power lies, the power that we value. They are the shield behind which we seek protection. This protection what has convinced us to direct all our resources to building the individual, and to using the wealth with which God has provided us in the service of the nation, so that it may grow and prosper. Unless wealth is used in conjunction with the knowledge to plan for its use, and unless there are enlightened intellects to direct it, its fate is to diminish and to disappear. The greatest use that can be made of wealth is to invest it in creating generations of educated and trained people." (UAE Interact, 2008).

**Developments in the UAE’s Education Sector**

The United Arab Emirates has undergone noteworthy developments since its inception, and such developments are apparent specifically in the education sector. The country is devoted to heavy investments in designing frameworks, management, and the use of technology in delivering education. The fast mover educational technology adopter desires to bring educational amendments in the country by fostering competence, inspiring practical education and culture of innovation by initiating global quality contexts, which warrants intensive accountable systems. The government strategies are in place to concentrate on the prosperity of its nation (Alsharari, 2017; Alsharari, 2018a,b).

The United Arab Emirates has survived the dilemma of financial collapse with the least possible damages because of its judicious leadership and poised monetary strategies. UAE efficiently possesses a strategic position in its global environment; its robust financial standing, and its trade as well as its investment collaborations. This strategic position holds
a noteworthy position with respect to its ability to offer planned reserves and the substantial fiscal reserves it has.

UAE’s services sectors witnessed enormous investments in government-based services including education, healthcare, and social services, devoting AED 62.4 billion, representing 20.2% of the total investments in 2012 (Alsharari, 2017; Alsharari, 2018a,b).

**Figure 2 - UAE’s Investments in Services Sector (2011 - 2012)**

As per the report of the UAE’s Ministry of Economy (2013), the country needed foreigners, which now make up 88 percent of the country’s total labor force. There is a constant increase in the population of the country, where 70 percent of the foreigners and 30 percent are based in Abu Dhabi and Dubai. Projections show that the Emirati population will double in 21 years as their population is growing at the rate of 3.28 percent every year, which then places UAE on the 6th worldwide. Such population demands better educational infrastructure and higher supply of workers (UAE National Qualifications Authority, 2013).

UAE’s first university; UAE University, welcomed students for the first time in 1977; Then it was the Higher Colleges of Technology which opened its doors in 1988. Presently, the country enjoys international joint ventures and alliances from prestigious, renowned universities like New York University, University of Paris-Sorbonne, INSEAD, and the University of Wollongong. The country’s universities are registered and approved by UAE’s Commission for Academic Accreditation (CAA), which presently registers 79 higher education institutions with a total of 103,431 students studying in 644 approved academic programs (UAE National Qualifications Authority, 2013).

**Higher Education in the UAE**

Various initiatives like financial aid programs and freeze in fees for medium – low-income households are the only prospect for higher education students who are constantly finding the fee hikes in universities beyond their ability. Fee hikes are a common sight to see in the education
sector of the UAE. Some fortunate students can seek help from the financial aid program offered by universities like the American University of Sharjah, who can then barely use the money to cover the expenses of the tuition fees, and the aid does not cover specialized equipment needed specifically for engineering students. There is an evident mismatch between household income and amount and the aid provided (Sabry, 2013).

With an average fee ranging from AED 48,000 – AED 50,000 per semester, the unfortunate students who do not qualify for such sponsorship programs have to bear the brunt of hiking fees themselves. Students are of the view that a fee hike such be aligned with an upgrade of the facilities, which otherwise seems unreasonable.

Another case represented here is from Abu Dhabi University, which strategically decided to freeze its fees for the Academic year 2013-2014. In its defense, the University is of the view that such fee hikes are justifiable to keep a balance between topnotch facilities, research, and academic outcomes. On the brighter side, the University offers student discounts, but then to avail such discounts, students have to maintain higher cumulative grade point average (CGPAs); 3.5. The picture seems a bit clearer for its Postgraduate students who are Alumni of the University, with a grant of 25 percent discount in tuition fees, if they have graduated with a CGPA of 3.5 and above, which for non-university alumni falls to 20 percent (Sabry, 2013).

Parents of the higher education students believe that they are investing in their future. Such initiatives are welcomed by the parents as are designed specifically for the fiscally-disadvantaged students to have a fair share of enjoying the facilities offered by the education sector. Sometimes the parents have to pay only a fraction of the entire tuition fee because of their inability to make their ends meet (Sabry, 2013).

A real case, referring to another report which states that international students who want to study and live in the UAE are bound to pay the maximum premium in the world. The expenditure involved is made up 51 percent of the UAE’s GDP per person; AED 102,760 (the US $28,000) every year, which makes it the fourth most expensive country for expatriates to study and live in, as reported by HSBC (Maceda, 2013).
Figure 3. Higher Education Enrollment in UAE based Universities 2010 - 2014

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(Commission for Academic Accreditation, 2015)

Figure 4. Number of Graduates from UAE based Universities 2009 - 2013

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<td>Islamic And Arabic Studies College-Dubai</td>
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<td>693</td>
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</table>

(Commission for Academic Accreditation, 2015)

With the average annual fees and cost of living for expatriate students based in UAE, at the US $21,371 and the US $6,004, correspondingly, the country’s general education cost is more than Germany, Canada, Japan, and Singapore. As far as the living expenses are considered, the country is one of the economically most developed and serves as emerging markets, after China, Taiwan, and Germany, but the
skyrocketing university costs placed it on the top. Australia is at the top of the list, where yearly university costs $38,516, followed by the United States (Maceda, 2013).

For average UAE based households, education takes the biggest chunk of their budgets, which is corresponding to the decreasing value of notable currencies against the UAE Dirham and the US dollar. The education expense the second most budget after house rents in the UAE for expatriates. The demand is driven by the need for better education, which results in fee hikes. The country’s stable governmental and financial environment and a promising routine for students have developed it to be the top favorite destination for expatriate as well as GCC based students (Maceda, 2013).

The UAE has one of the world’s highest rates of indebtedness at the US $95,000 per household, and as per the latest reports, almost 3.1 million residents have 6.69 million active loans (Kassem, 2015). Other reports state that one of the UAE based father spends 40 percent of his family's income on the tuition of two university students. This condition has proven to be difficult, one of his daughters is studying in Ajman that charges AED 40,000 per year while his son is studying civil engineering in an Abu Dhabi based university that charges AED 55,000 per year. He chose these universities as they were the cheapest as compared to others. So, in order to make his ends meet, he has taken two loans for a total sum of AED 150,000. The father is of the view that his family has sacrificed a lot to get the older children to earn their degrees for getting an excellent job. (Nazzal, 2014).

With the evidence that parents are forced to take a loan, banks are cashing in on the dire situations faced by UAE based parents of expatriate students. For instance, the leading bank Emirates NBD came up with an offer to attract parents by giving them an option of 10 percent cashback or 0 percent interest installment plans on local as well as international school fee expenditure. Products offered by banks are value-added credit cards for university fees, allowing parents to pay the cost of using their credit cards and paying installments of up to 12 months, with zero percent interest. On the other hand, parents could make use of 10 percent cash back on the expenditure of more than AED 2,500. The Bank was of the view that such initiatives reverberated well with parents who faced the obstruction of hike in university fees. The offer also provided the facility of making payments through cheques in case the universities did not accept credit
cards, which was then supposed to be paid back in flexible installment plans at low-interest rates (Emirates NBD, 2014).

Many banks have started impressive initiatives to ease the challenge by offering education finance schemes. The bank is taking advantage of the soaring fees by offering loans with profits on the interest rate. For instance, National Bank of Abu Dhabi offers personal loan for students that are 18-24 years old, with guardian’s consent and a minimum monthly salary of AED 2,000 for an Emirati and AED 3,000 for an expatriate. The maximum is AED 250,000 for Emirati – tenure: 9 years; and tenure of 6 years for an expatriate, with an exceptionally high-interest rate of 9.25 percent on a reducing balance basis.

According to the Assistant Professor of Marketing at a leading university, the surge in student loans is in line with the growth of the student population in the UAE. Banks are basking on the opportunity this situation has created by keeping students as their target market for loans and have considered them future customers with a significant earning prospect. Of course, with the opportunities come the set of risks associated with this initiative like bad debts and non-repayment, which can be governed as banks and financial institutions are very sharp in managing bad debts (Goma, 2005).

**Bad debt Problems**

Bad debt appears to be a problem when there is a high proportion of non-performing assets, which consequently threatens the liquidity and solvency of the bank. This problem becomes intense during testing times like financial crisis, real estate price manipulations, changes in a local currency, deregulation of interest rates, removal of credit limits and opening banking market to new entrants and foreign competitors. Lack of effective banking supervision leads to bad debts. Bad debts cause Stock and Flow problems for the banks.

- **Stock problems** are when loans become non-performing and are provisioned or written off, causing shrinkage in shareholders equity.
- **Flow problems** – Non-performing assets do not produce interest income when the bank has to pay interest on its liabilities and manage operating costs. If Non-performing loan’s proportion increases, the interest income gap is not closed by generating
income from performing loans and other sources, which leads to banks suffering from losses in capital.

- Banks usually handle the bad debt problem as:
  - **Hide the problem** – “Evergreening” – not classifying them; interest and capital payments are refinanced, where bad debts are shown as performing. Good for the short run, but this deteriorates problem in the long run, solvency issues.
  - **Quick profits to compensate bad debt losses** – Enter new and riskier activities for higher return; Boost credit expansion to dilute bad debts; increase the interest rate on new loans, adverse effect as good customers will be discouraged and only people who desperately need money will take loans and will be unable to repay in future
  - **Wait and see – State-owned banks** - Management is not responsible, relate it to changes in the macroeconomy; government’s responsibility, banks should be recapitalized.

The banking crisis had led to a negative impact on the economy, issues in liquidity, and erosion of banking balance sheets. Different solutions have been taken by the bank to resolve this financial crisis as follows:

- Recapitalization (government – cash or interest-bearing government bonds / private owners);
- Separation of bad debts (restructuring agency/workout department separate from the credit department);
- Changing management; privatization of troubled banks;
- Effective banking supervision (Kawalec, 2002) as “good money” going after “bad money” proliferates losses for the bank.

**Bad Debt Methods in the UAE Higher Education**

The brighter side of the picture is that there is a credit bureau in place; Al Etihad Credit Bureau, which instigated its operations in the UAE, since 2014. It aims to keep a check on the indebtedness proportion of individuals and organizations. The credit bureau will not let the individuals surpass their maximum credit limit as fixed by the Central Bank of UAE. This limitation will equally benefit banks and individuals as banks will enhance their lending standards and individuals with a poor credit history will not be able to take any further debts, which will enable them to repay their loans easily. Banks will have to devote smaller provisions to cover bad debts against the risk of loan defaults. This process will enhance
transparency. It is interesting to note that the growth of loan in 2008 (during the recession) was 41 percent, as per the reports of the Central Bank, UAE. The number is projected to be around 9 percent for this year (Kassem, 2015).

- Banks do not file a criminal case against customers right away as they want a way out for the chances of loan repayments.
- Bankers start criminal cases when borrowers are deliberately classified as intentional when the customer does not make any payments even after a series of communications between the customer and the bank.
- In case of a single installment default, the customer is contacted by the bank within a week to remind her/him that he/she has missed the payment and if the customer is not reachable on the contact numbers provided, attempts are still made to contact the customer for the next 30 days.
- After a month, if the customer is not reachable, resulting in defaulting of the second installment, the bank’s collection department contacts the references provided by the customer at the time of applying for the loan. Then the references are informed about the scenario and are asked to communicate with the customer.
- The right amount of time is given to the customer and their reference to contact the bank to explain their situation before legal action is taken.
- Customers should never stop communicating with banks when they have problems with repayment (Augustine, 2015).
- For the loan payment default, the bank can initiate a civil/criminal case against the customer, where banks mostly prefer to go for criminal cases to stop defaulters from fleeing UAE.
- When a criminal case is filed, and an arrest warrant is issued against loan abuse, the police department informs the residency department which, in turn, will not renew expatriate, dependents and / or their employee residency visas while the case is waiting in front of the police.
- Early settlements or restructuring of loans are done on a case by case basis. Most banks agree to reasonable “write-offs” if customer deserves benevolent attention and are up to the decision of the bank.
- There has been a significant reduction in default over the last two years as worst cases were witnessed during the recession.
- Most banks have their collection departments, but they sometimes hire external debt collectors to get their money back (Augustine, 2015).

METHODS
Abu Dhabi University is working in the private education sector; open to the public, offering undergraduate, postgraduate and doctoral programs in various majors such as Business Administration, Engineering and Arts and Science. The United Arab Emirates specifically offers excellent infrastructure with topnotch technologies and services. Its vision is to be globally renowned for delivering quality education and intensive applied research that drives economic and social development in its region and beyond. Its mission is to create expert career-oriented graduates in line with regional and international requirements by implementing fineness in teaching, student knowledge, faculty grant, and commitment in community expansion (Abu Dhabi University, 2015). It exercises the values of Quality Service, Integrity, Respect for all, Embracing diversity, Collegiality, Equity, Innovation, and Agility (Abu Dhabi University, 2015). Its objectives are to: provide a student-oriented learning atmosphere favorable for academic and proficient student development; meet needs of its stakeholders (students, parents, government, private sector and strategic partners) and be a responsible provider to its society; attain educational distinction at every level of its operations; attain functional brilliance by being a service-oriented body; flourish positive culture and learning atmosphere and attain a defensible financial position by investing in progression and brilliance (Abu Dhabi University, 2015).

Foundations of the university were laid down by his Highness Sheikh Hamdan Bin Zayed Al Nahyan and other distinguished citizens of the United Arab Emirates in the year 2000, but it instigated its operations in September 2003, by accepting 1000 students in two campuses; Abu Dhabi and Al Ain. The university enjoys endorsement for all its degree programs from the Ministry of Higher Education and Scientific Research. All its degrees are based on the American model of higher education (Abu Dhabi University, 2015).
Figure 5 - Top Competitors of Abu Dhabi University

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<td>The University of Wollongong In Dubai</td>
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<tr>
<td>(Commission for Academic Accreditation, 2015)</td>
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</table>

The university uses different marketing strategies to target students, stakeholders, and community, for instance, University Newsletter; University website; Social Media announcements and promotions; Radio and Television advertisements; Broadcasting Graduation ceremonies on National channels; Email updates; News alerts; Ad banners on websites; Brochures; News briefs and Community orientation. Detailed procedures were not demonstrated since the debt collections, and consolidated reports are created in the Finance department of Abu Dhabi campus. There was not any case of default in payments, during the tenure of internship in the department, and in case there would have been one, it would have been forwarded to the department in Abu Campus as they are responsible for Cash accounts and debt collection (Abu Dhabi University, 2015).

For data collection, the authors have used literature-based research methodology (traditional review), based on a case study on the organization in point; Abu Dhabi University, by comparing the organization’s performance in terms of bad debts with other universities in the world (general) and the UAE (in specific). The research question involved a sensitive subject which otherwise is inappropriate for primary data collection, as the responses can be biased. Document review method involves reviewing existing documents that are internal to an organization. These documents included reports, performance ratings, newsletters, and marketing materials.

RESULTS AND DISCUSSION

In accounting, there are two methods for estimating bad debt in UAE: Allowance Method and Direct Write-Off Method. Allowance Method calculates bad debts as a percentage of the accounts receivable balance. For instance, if Abu Dhabi University has AED 100,000 in accounts receivable
at the end of an accounting period and records indicate that, on average, 5% of total accounts receivable become uncollectible, the allowance for bad debts account must be adjusted to have a credit balance of AED 5,000 (5% of AED 100,000) (CliffsNotes, 2015). Unless actual write-offs during the just-completed accounting period seamlessly matched the balance apportioned to the allowance for bad debts account at the close of the previous accounting period, the account will have an existing balance. If write-offs were less than expected, the account would have a credit balance, and if write-offs were greater than expected, the account would have a debit balance. Assuming that the allowance for bad debts account has an AED 200 debit balance when the adjusting entry is made, an AED 5,200 adjusting entry is necessary to give the account a credit balance of AED 5,000 (CliffsNotes, 2015).

**Figure 6 - Allowance Method**

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<td>-</td>
</tr>
<tr>
<td></td>
<td>Allowance for Bad Debts</td>
<td>115</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Estimate of bad debts</td>
<td></td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

**Bad Debts Expense**

<table>
<thead>
<tr>
<th>Date</th>
<th>Explanation</th>
<th>Ref.</th>
<th>Debit</th>
<th>Credit</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>20X6 Dec. 31</td>
<td>Estimate of bad debts</td>
<td>GJ64</td>
<td>5,200</td>
<td>-</td>
<td>-5,200</td>
</tr>
</tbody>
</table>

**Allowance for Bad Debts**

<table>
<thead>
<tr>
<th>Date</th>
<th>Explanation</th>
<th>Ref.</th>
<th>Debit</th>
<th>Credit</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>20X6 Dec. 31</td>
<td>Estimate of bad debts</td>
<td>GJ64</td>
<td>5,200</td>
<td>-</td>
<td>-5,000</td>
</tr>
</tbody>
</table>

If the allowance for bad debts accounts had an AED 300 credit balance instead of an AED 200 debit balance, an AED 4,700 adjusting entry would be needed to give the account a credit balance of AED 5,000 (CliffsNotes, 2015). Aging method - In general, the longer an account balance is overdue, the less likely the debt is to be paid. Therefore, many companies maintain an accounts receivable aging schedule, which categorizes each customer’s credit purchases by the length of time they have been outstanding. The overall balance of each category is multiplied by the estimated percentage that cannot be collected for that category, and the total of all these calculations serves as estimated bad loans. The accounts receivable aging schedule shown below includes five categories for classifying the age of unpaid credit purchases (CliffsNotes, 2015).
In this example, estimated bad debts are AED 5,000. If the account has an existing credit balance of AED 400, the adjusting entry includes an AED 4,600 debit to bad debts expense and an AED 4,600 credit to allowance for bad debts (CliffsNotes, 2015).

Aging allows companies to generate estimates of uncollectible accounts at specific times. However, the technique does not consider the accuracy of past estimates, as mandated by Statement on Auditing Standards (SAS) no. 57. An analysis of historical trends can provide useful information about an entity’s past accuracy and possible biases in estimating its allowance for doubtful accounts. Comparing bad debt expense each year to write-offs during that year is one measure of the accuracy of bad debt estimates. Evidence suggests that some companies have great difficulty in estimating collectability. Accountants potentially benefit by using additional tools that shed light on the accuracy of past estimates (Riley & Pasewark, 2009).

The following sample policy has been adapted from the University of Edinburgh’s Policy on the collection of payments and defaulting penalties (The University of Edinburgh, 2014). It must be noted that there is no specific policy available in Abu Dhabi University to be implemented. Therefore, adopting policies from world-renowned universities and benchmarking them with the university’s current practices is a good point.
to start. The policy includes the following pointers, all of which comply with the practices carried out at Abu Dhabi University:

- Defaulting on the payment not only results in the University charging late fees but for continued non-payment, a student risks his place at Abu Dhabi University.
- This policy relates to all fees and fees that must be paid to the University of Abu Dhabi by current and previous students for the use of facilities and the provision of services.
- The payment of the student academic fees forms part of the contractual relationship the student has with the Abu Dhabi University. It is the university expects that the student will have organized his funding for fees and living costs before joining the University. If he cannot provide payment or proof of payment as required, then he will be considered to be in arrears and a defaulter.
- Student, academic fees include (but not limited to) tuition fees, course fees, student services fee, conferment of degrees, books and materials fees and library fines. Non-academic fees include (but not limited to) accommodation fees, transportation fees, and parking fines.
- The University will at all times seek to be sympathetic to, and understanding of, each student’s financial circumstances. However, for the University to do so, students must engage in dialogue with University officials if financial difficulties are being experienced.
- The Finance Department will, at all times, use the student’s official email address. It is the student’s responsibility to check this regularly.
- Students experiencing financial difficulties in paying any fees and charges must seek help at the earliest opportunity.
- The University’s Financial Aid fund seeks to help students who rightly need financial assistance. These funds are limited and are designed to provide supplementary support to students in financial difficulties. They are not to be considered as the student’s primary source of income.
- As part of the registration process, each student is required to sign a declaration acknowledging that they are personally liable to the University for Payment of tuition and related fees. In the event of any fee-paying body not making the payment on their behalf, each
student undertakes to make payment of the full amount due to the University.

- Students must pay tuition fees on time. Details of installment dates and other acceptable payment methods are available at http://www.adu.ac.ae/en-us/finance.aspx#.VcnIXk0w-P8
- Students who intend their fees to be paid on their behalf must provide evidence that their fees will be paid in full or in part by a recognized fee-paying body such as a research council. The Abu Dhabi University’s Registration department requires written confirmation of funding from a fee-paying body if tuition and related fees are being paid in part or in full on behalf of the student.
- If the fee-paying body fails to pay, or unduly delays payment, the student becomes liable for the amount due. In this event, an invoice will be issued to the student. In some cases, if the fee-paying body has consistently failed to meet the University’s terms and conditions, the advance payment will be sought from the body.
- It should be noted that University’s Academic Tutors are not empowered to vary fees or agree with payment schedules with students on behalf of the University.
- Accommodation offered by University’s Student Services department is dependent on the student signing a lease for the period of accommodation, paying a deposit, and agreeing in writing a payment plan to cover the accommodation fees.
- The Abu Dhabi University will impose additional charges for the non-payment of fees in the form of a late fee invoice. The late payment charge will be either:
  - 3% applied to the balance outstanding at the start of each month until the debt is cleared or
  - the set amount applied on a sliding scale reliant on the outstanding balance:
    - Amount balances up to AED 1,000 no charge
    - Amount balances AED 1,000 to AED 6,000 AED 300 charge
    - Amount balances AED 6,000 to AED 30,000 AED 600 charge
    - Amount balances AED 30,000 to AED 90,000 AED 1200 charge
    - Amount balances over AED 90,000 AED 1800 charge
- Action taken by the University in relation to unpaid student academic fees can include:
  - Withdrawal of IT facilities
Withdrawal from Program of Study
Instigation of third party/legal action
The loss of IT access may disrupt student studies, and for international students studying at the university can have serious consequences. Also, international students should be aware that if they are withdrawn from their program of study due to non-payment of fees the University is obliged to inform United Arab Emirates Visas and Immigration department.

In terms of Resolution of the University Court students in debt to the University may not be permitted to re-matriculate in future sessions, or to graduate until the outstanding sum has been cleared. The debt recovery process will be triggered.

(a) Where invoices for fees or costs are not completed within thirty days of the date of issue, or
(b) If payment is in accordance with the agreed installment plan, it is not accepted. The debt recovery steps are detailed in the below table and will be followed where debt is identified.

- Steps in relation to tuition fee and other debt include withdrawal of IT facilities, withdrawal from Program of Study, and instigation of legal action to recover sums owed.
- Steps in relation to accommodation debt include eviction from accommodation and instigation of legal action to recover sums owed.
- Annual Registration - Students will not be allowed to register for the next year of their program fully while they are in debt to the University. Students who are not fully registered will not be permitted to pay tuition fees in installments, and details of non-fully registered students will be passed to College and School offices for attention.
- Final Year Students - Students in debt to the University will NOT be allowed to graduate. In order to attend the graduation ceremony, final year students must make full settlement of fees or other charges due to the University at least twenty-one day before the date of the graduation ceremony. Students who fail to do so will not be eligible to attend for the presentation of their award.
- Former Students Former/withdrawn students with debts outstanding will be managed through the University's normal debt recovery procedures.
Table 1: Debt recovery process

<table>
<thead>
<tr>
<th>Days</th>
<th>Activity</th>
<th>Actions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Day Activity Action 1 For Debt Recovery purposes, Day 1 is the day following the date on which a payment is due. For those due to settling an invoice, standard terms are 30 days. In that case, Day 1 will be the 31st day following the invoice date. For those paying by installments, Day 1 will be the day following the date on which an installment was due for collection.</td>
<td>The student’s account is deemed to be in arrears, and an AED 300 charge will be applied to the account. Notification of this additional charge will be made by email to the student. The email will also constitute the first reminder for payment. Students paying by installment will immediately forfeit the concession to continue paying by installments, and their entire balance outstanding will become immediately due. Students will be asked to make payment. Students in genuine difficulty are asked to contact the Finance Department to discuss their circumstances.</td>
</tr>
</tbody>
</table>

| 15   | Students whose accounts remain in arrears by Day 15. | Students whose accounts remain in arrears by Day 15 will be advised, by email, that their account remains in arrears, and that their access to University facilities will be removed within five days. Removed access means loss of access to University systems, including email, loss of access to buildings and services for which card access is required. Access to facilities will not be restored until arrears of tuition fees are paid in full (and funds have cleared). |

| 30   | Students whose accounts remain in arrears by Day 30. | Students whose accounts remain in arrears by Day 30 will be advised in writing, by letter, that their status as a registered student of the University is being withdrawn pending full payment of tuition fee arrears. The University reserves the right to recover any unpaid sums due through collection agencies and/or by legal process. Any additional costs incurred as a consequence of such action will be charged to the student’s account. |

STATISTICS ANALYSIS

Hypotheses Testing

Null Hypothesis is: There is no significant difference between the mean of the sample and the mean of the population

$$H_0 = \text{Mean} = 33333.33$$

Alternative Hypothesis: There is a significant difference between the mean of the sample and the mean of the population

$$H_1 = \text{Mean does not} = 33333.33$$

Degrees of freedom = $n-1 = 6-1 = 5$

$N=6$

Mean of the sample = 1666.7

Mean of the population = 33333.33

STD = 1670.53
C value = + or - 0.24
-45-4423 is less than -0.24
T-test = -46.4423

Then we reject the null hypothesis and accept the alternative one.

One-Sample T-Tests

<table>
<thead>
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<th>n = 5</th>
<th>n = 7</th>
<th>n = 6</th>
<th>n = 7</th>
<th>n = 8</th>
<th>n = 8</th>
<th>n = 6</th>
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<tbody>
<tr>
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<td>.02</td>
<td>.03</td>
<td>.04</td>
<td>.05</td>
<td>.06</td>
<td>.07</td>
<td>.08</td>
<td>.09</td>
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<tr>
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<td>.26</td>
<td>.85</td>
<td>.86</td>
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<tr>
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<td>.68</td>
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<td>.94</td>
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<td>.95</td>
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</table>

According to the above t-test, the analysis shows that there is a significant difference between the two means. Accordingly, we reject the null hypothesis and accept the alternative hypothesis, which indicates that the mean of the sample is as the same as the mean of the population. The acceptance of the alternative hypothesis means that there is a significant difference between the total account receivable and the estimated bad debt. Usually, the bad debt represents a relatively small percentage of the account receivable.

CONCLUSIONS
The study concludes that there is little evidence about debt collection methods in an academic environment. Although some universities in the western countries have debt collection policies available on their websites, there is still a lack of information available on the subject in UAE local and foreign universities. With the persistent hike in fees, people are considering taking loans as their last option, but universities must consider non-payment from the students as a crucial risk and have proper policies in place, to avoid any unpleasant incidents. Although the UAE Credit Bureau is present to assess the preliminary ability to provide loans and credit cards to individuals and organizations, the crucial responsibility still lies on the shoulders of banks to assure that borrowers can repay their loans. Even the processes of debt collection and recovery processes must be enhanced, particularly if banks decide to outsource their debt collection services. Of course, not all borrowers can be treated the same way. Banks should come up with different strategies for different customers and classify them as High, medium, and low-risk customers.

The statistical analysis shows that there is a significant difference between the two factors: account receivable and bad debt. The difference means that there is a significant difference between the total account receivable and the estimated bad debt. Usually, the bad debt represents a relatively small percentage of the account receivable. This small percentage will not have a material influence on the balance sheet accounts and income statement. All of these refer to management decision and human judgment, and there are no standard rules to decide about the percentage of bad debt.

The study identified that there were rare cases of non-payments from students, and even if there were, students were treated with great respect, given their prospective future at the university. The finance department assisted students in seeking alternate sources of funds if the students were unable to pay their fees. Furthermore, it is a university-wide initiative to avoid court dealings as much as possible, and hence firm rules are in place, for instance, in case of non-payment, the student will not be able to register any course / will not be able to graduate. Such initiatives promote transparency for the organization while promoting the students to pay their fees on time.

REFERENCES


Alsharari, N. M. (2016a). Results-Based Costing (RBC) System: Questioning the Unit of Analysis in ABC. Corporate Ownership and Control, 13(2), 587-603.


